

BELLSOUTH

Robert T. Blau, Ph.D, CFA
Vice President - Executive and
Federal Regulatory Affairs

DOCKET FILE COPY ORIGINAL

Suite 900
1133-21st Street, N.W.
Washington, D.C. 20036-3351
202 463-4108
Fax: 202 463-4631

EX PARTE OR LATE FILED

October 24, 1996

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
Washington, DC 20554

RECEIVED

OCT 24 1996

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Re: Ex Parte in CC Docket 96-149

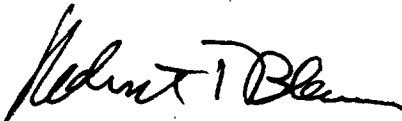
Dear Mr. Caton:

This is to inform you that on October 24, 1996, Gary Epstein of Latham and Watkins, and Krista Tillman, David Frolio, and the undersigned, all representing BellSouth, met with Regina Keeney, Richard Metzger, Radhika V. Karmarkar, and Michelle Carey of the Common Carrier Bureau regarding the above-referenced proceeding.

The purpose of the meeting was to discuss issues relating to joint marketing in local and long distance services. The attached charts and slides were discussed during this meeting. The discussion was consistent with BellSouth's position already filed in this proceeding.

Pursuant to Section 1.1206(a)(2) of the Commission's rules, two copies of this notice are being filed with the FCC. Please associate this notification with the above-referenced proceeding.

Sincerely,



Robert T. Blau

Attachment

cc: Regina Keeney
Richard Metzger
Radhika V. Karmarkar
Michelle Carey

No. of Copies rec'd
List ABCDE

041

CC Docket Number 96-149 Ex Parte

BellSouth

October 24, 1996

BellSouth Concerns

- ◆ Congressional Intent
- ◆ Joint Marketing Issues
- ◆ Centralized Administrative Services
- ◆ Other Issues

Congressional Themes

- ◆ Safeguards As A Transition
- ◆ Computer II / Computer III Compromise
(Computer II “Lite”)
- ◆ Regulatory Parity - Complementary Joint Marketing
Provisions Allows for Full Consumer Choice

Customer Needs

Customers tell us that they want...

- ♦ **Simplicity**
- ♦ **Convenience**
- ♦ **Choice**
- ♦ **Reliability**



And they translate these into...

- ♦ **Easy to understand plans**
- ♦ **One stop shopping**
- ♦ **Packages of services**
- ♦ **Single bill**
- ♦ **Discounts & pricing incentives**
- ♦ **Dependable, well-known service provider**

Local Service Packages

- ♦ **65% of households will switch to the Company that “packages” or offers all services**
&
- ♦ **67% of households will choose the same carrier for local & long distance.**
 - » **15% choose RBOC**
 - » **22% choose other carriers**
 - » **30% choose AT&T**

J.D. Power & Associates 1996

Morgan Stanley, 1995

Market Perception - BellSouth vs. AT&T

- ♦ **AT&T -- nationally renowned**
 - » 1995 advertising spending >\$800M
 - » viewed as technologically advanced, professional and leading edge*
- ♦ **BellSouth -- regional company**
 - » 1995 advertising spending \$82M
 - » viewed as reliable, small and trustworthy*

***Ad Watch, Merkely Newman Harty 1996 study**

AT&T's Edge

Who consumers say they would like to be their single provider for local and long-distance phone service (broken down by Baby Bell territories)

Territory

Carrier of Choice	Ameri-Tech	Bell Atlantic	Bell South	Nynex	Pactel	SBC	U S West
AT&T	41%	49%	54%	44%	54%	45%	49%
MCI	5	5	4	7	5	7	2%
Sprint	4	3	6	3	4	4	--
Ameritech	27	--	--	--	--	--	--
Bell Atlantic	--	30	--	--	--	--	--
BellSouth	--	--	18	--	--	--	--
Nynex	--	--	--	31	--	--	--
Pacific Telesis	--	--	--	--	9	--	--
SBC	--	--	--	--	--	21	--
U S West	--	--	--	--	--	--	29
GTE	6	2	4	--	6	3	4
No response no preference	17	11	14	15	22	20	11

Market Strategies-Other Competitors

- ♦ Advertising
 - » via traditional media
 - » via bill inserts to existing customers
 - » via “the telephone directory”
 - multiple “local” companies listed in customer guide pages
 - “local company” specific customer guide pages
- ♦ Branding, Bundling, Partnering
 - » Use of non-traditional channels
 - real estate agents, banks, etc.
 - apartment complex, office complex
 - retail stores

Service Delivery Needs

Customers are impatient with today's lengthy processes...

- Inverse relationship between length of call & customer satisfaction
 - » Communications intense = 45 minutes
- Customer contact labor cost is largest cost component
- Alternate channels utilized today to expand reach

...But customers want more options

- Technology, service options
- More variety
- Simple and convenient purchasing processes



Balancing Act to Make Effective Use of Time

- ♦ Meet customer expectations
- ♦ Efficient business practice

Customer Order Experience for New Service

- 1. Customer name**
- 2. Address information**
 - ♦ **Working service**
 - ♦ **No working service**
- 3. Listing information**
- 4. Billing information**
- 5. Credit information**
- 6. Products & services**
 - ♦ **Local service options**
 - ♦ **Interlata choice**
 - ♦ **Intralata choice**
 - ♦ **Optional services**
 - ♦ **Wiring/jacks**
- 7. Directory needs**
- 8. Telephone number assignment**
- 9. Due date or installation date**
- 10. Order Summary**

BellSouth's Joint Marketing Position

- ◆ The FCC rules should:
 - » Allow all forms of joint marketing, except those expressly prohibited by the Act. This includes, but is not limited to:
 - Joint use of sales channels
 - Joint advertising and promotions
 - Joint use of brand and trademarks
 - Joint development of marketing plans
 - Joint sales and one point of contact for multiple services
 - Use of customer information for joint marketing activities

Joint Marketing

- ◆ Ability of BST and BSLD to Engage in One Stop Shopping is Vital
- ◆ In-Bound Marketing Should Not Be Restricted
- ◆ Proposals Such as Requiring a Third Party Outside Marketing Entity are Neither Required Nor Make Good Policy
- ◆ Problem Exacerbated by FCC Decision to Allow BOC Competitors to Evade Section 271(e)

Shared Administrative Services

- ◆ Section 272(b) Does Not Prohibit Shared Outside Services
- ◆ Section 272(b) Does Not Prohibit Centralized Administrative Services
- ◆ Such Restrictions Would Only Increase Consumer Cost Without Any Benefits
- ◆ Existing Nonstructural Safeguards are Sufficient to Prevent Any Anticompetitive Conduct

Other Issues

- ◆ Reporting Requirements
- ◆ “Operate Independently” Language
- ◆ Definition of InterLATA Information Services
- ◆ Ability of Bellsouth Affiliate to Act as a CLEC

FCC'S LOCAL INTERCONNECTION ORDER HAS ALREADY TILTED THE COMPETITIVE PLAYING FIELD IN FAVOR OF THE CLECs:

Retail Revenues For Local Telephone Service vs. Cost Of Unbundled
Network Elements Priced At FCC Proxies

GEORGIA

Multi-line Business

Average Flat Rate Customer for Highest Rate Group

	Retail	Resale @ 19.2%	Rebundled	
Flat Rate RG 12	\$46.00	\$37.17	\$16.09	(loop)
Ancillary Service	\$25.30	\$20.44	\$0.00	
Vertical Service	\$5.05	\$4.08	\$0.00	
IntraLATA Toll	\$2.99	\$2.41	\$0.92	
InterLATA Switched Access	\$11.34	\$11.34	\$2.09	
Port Charge			\$2.00	
Local Usage			\$2.90	
SLC	\$6.00	\$6.00	\$0.00	
Total	\$96.68	\$81.45	\$24.00	
<i>Difference from Retail</i>				
<i>Amount</i>		<i>(\$15.23)</i>	<i>(\$72.68)</i>	
<i>Percent</i>		<i>-15.8%</i>	<i>-75.2%</i>	

Notes:

1. Average revenue for vertical service and intraLATA toll computed from July 1996 data.
2. Unbundled elements use FCC proxy rates. Local Switching @ \$0.003.
3. Resale discount rate is FCC proxy for BellSouth.
4. Rates reflect the following minutes of use: IntraLATA toll - 25 minutes; InterLATA switched access - 465 minutes; and Local Usage - 492 minutes.

BELLSOUTH TELECOMMUNICATIONS, INC.
RESALE VS. REBUNDLED DISCOUNTS
AVERAGE CUSTOMER IN HIGHEST RATE GROUP
SUMMARY

	Multi-line Business		Residence	
	Resale	Rebundled	Resale	Rebundled
Alabama	-14.9%	-68.9%	-13.2%	-21.6%
Florida	-14.0%	-66.2%	-10.6%	-24.5%
Georgia	-15.8%	-75.1%	-12.7%	-27.0%
Kentucky	-14.9%	-72.0%	-13.2%	-19.0%
Louisiana	-15.0%	-69.0%	-12.5%	-14.9%
Mississippi	-15.7%	-70.1%	-13.9%	-14.4%
North Carolina	-14.3%	-67.0%	-11.3%	-11.1%
South Carolina	-14.6%	-70.2%	-13.1%	-22.8%
Tennessee	-15.7%	-73.5%	-12.9%	-16.9%
BST	-14.7%	-69.6%	-12.1%	-20.8%

Notes:

1. Resale discount computed using FCC proxy of 19.2%
2. Rebundled discounts computed using FCC proxy rates and local switching @ \$0.003/min.
3. BST discounts wtd. by 1 pty flat rate lines in service.

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- IntraLATA
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- Internet Access (when available)
- Calling Card
- AT&T Wireless Services Cellular (where available)

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